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Canada's New Government Introduces Measures to Make the Tax System More Efficient

As proposed in Budget 2007, the Honourable Jim Flaherty, Minister of Finance, today announced draft amendments to the Income Tax Act and the Income Tax Regulations that will make the tax system more efficient. They will reduce delays in the preparation and issuance of T3 information slips (relating to distributions of publicly traded trusts) and T5013 information slips (relating to allocations of publicly traded partnerships).

"Our government is committed to making the tax system as effective and efficient as possible," said Minister Flaherty. "The changes I am announcing today will address many of the concerns expressed by taxpayers about the timing of their receipt of tax information slips by helping investment managers to meet filing deadlines."

The proposed amendments to the Income Tax Act would provide authority for regulations requiring the disclosure by publicly traded trusts and partnerships of information enabling investment managers to prepare the tax information slips that they are required to issue to investors. This disclosure would be made through a posting of the required information on the website for CDS Innovations Inc. (a subsidiary of the Canadian Depository for Securities Limited), a website that is designed to provide this type of information to investment managers. The proposed amendments were developed in conjunction with the investment industry.

The proposed regulations would require publicly traded trusts and partnerships to disclose information concerning distributions and allocations of income and capital made in respect of each of their units within 60 days after the end of the taxation year or fiscal period for which the information is relevant. For publicly traded trusts and partnerships that invest in other publicly traded trusts, partnerships or corporations, this information would be required to be disclosed within 67 days after the end of the calendar year to which the information relates. This is a new requirement that is expected to make the filing process more efficient.

Investment managers could use this information to prepare the information slips that are required to be issued to their investors within 90 days of the end of the year. The taxation year and fiscal period of publicly traded trusts and partnerships normally end on

December 31 of each calendar year. In the case of publicly traded trusts, a December 15 year-end can be used upon election.

These amendments are to be effective in respect of information required to be disclosed in connection with assessments in respect of taxation years (or fiscal periods, in the case of publicly traded partnerships) that end after today.

The draft amendments and explanatory notes are appended to this news release and are available on the Department of Finance website.

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HOUSE OF COMMONS OF CANADA

AMENDMENTS TO THE INCOME TAX ACT AND REGULATIONS FACILITATING THE PREPARATION OF INFORMATION SLIPS REPORTING INCOME FROM CERTAIN MUTUAL FUND TRUSTS AND PARTNERSHIPS

Amendments to the Income Tax Act

1. (1) Subsection 221(1) of the *Income Tax Act* is amended by adding the following after paragraph (*d.1*):

(*d.2*) requiring any class of persons to make information available to the public for the purpose of making information returns respecting any class of information required in connection with assessments under this Act;

(2) Subsection (1) applies to information in respect of taxation years of taxpayers and fiscal periods of partnerships that end on or after ANNOUNCEMENT DATE.

Amendments to the Income Tax Regulations

2. (1) The *Income Tax Regulations* are amended by adding the following after section 204:

204.1 (1) The definitions in this subsection apply in this section.

"public investment trust" « *fiducie de placement ouverte* »

"public investment trust", at any time, means a public trust all or substantially all of the fair market value of the property of which is, at that time, attributable to the fair market value of property of the trust that is

(*a*) units of public trusts;

(*b*) partnership interests in public partnerships (as defined in subsection 229.1(1));

(*c*) shares of the capital stock of public corporations; or

(*d*) any combination of properties referred to in paragraphs (*a*) to (*c*).

"public trust" « *fiducie ouverte* »

"public trust", at any time, means a mutual fund trust the units of which are, at that time, listed on a prescribed stock exchange in Canada.

Required information disclosure

(2) A trust that is, at any time in a taxation year of the trust, a public trust shall, within the time required by subsection (3),

(*a*) make public, in prescribed form, information in respect of the trust for the taxation year by posting that prescribed form, in a manner that is accessible to the general public, on the Internet website of CDS Innovations Inc.; and

(*b*) notify the Minister in writing as to when the posting of the prescribed form, as required by paragraph (*a*), has been made.

Required disclosure time

(3) The time required for a public trust to satisfy the requirements of subsection (2) in respect of the public trust for a taxation year of the public trust is

(*a*) subject to paragraph (*b*), on or before the day that is 60 days after the end of the taxation year; and

(*b*) where the public trust is, at any time in the taxation year, a public investment trust, on or before the day that is 67 days after the end of the calendar year in which the taxation year ends.

(2) Subsection (1) applies to information in respect of taxation years that end on or after ANNOUNCEMENT DATE.

3. (1) The Regulations are amended by adding the following after section 229:

Definitions

229.1 (1) The definitions in this subsection apply in this section.

"public investment partnership" « *société de personnes de placement ouverte* »

"public investment partnership", at any time, means a public partnership all or substantially all of the fair market value of the property of which is, at that time, attributable to the fair market value of property of the partnership that is

(*a*) units of public trusts (as defined in subsection 204.1(1));

(*b*) partnership interests in public partnerships;

(*c*) shares of the capital stock of public corporations; or

(*d*) any combination of properties referred to in paragraphs (*a*) to (*c*).

"public partnership" « *société de personnes ouverte* »

"public partnership", at any time, means a partnership the partnership interests in which are, at that time, listed on a prescribed stock exchange in Canada if, at that time, the partnership carries on a business in Canada or is a Canadian partnership.

Required information disclosure

(2) Every member of a partnership that is, at any time in a fiscal period of the partnership, a public partnership shall, within the time required by subsection (3),

(*a*) make public, in prescribed form, information in respect of the public partnership for the fiscal period by posting the prescribed form, in a manner that is accessible to the general public, on the Internet website of CDS Innovations Inc.; and

(*b*) notify the Minister in writing as to when the posting of the prescribed form as required by paragraph (*a*), has been made.

Required disclosure time

(3) The time required for the members of a public partnership to satisfy the requirements of subsection (2) in respect of the public partnership for a fiscal period of the public partnership is

(*a*) subject to paragraph (*b*), on or before the day that is 60 days after the end of the fiscal period; and

(*b*) where the public partnership is, at any time in the fiscal period, a public investment partnership, on or before the day that is 67 days after the end of the calendar year in which the fiscal period ends.

Obligation fulfilled by one partner deemed fulfilled by all

(4) Every member of a partnership that is required to satisfy the requirements of subsection (2) in respect of the partnership for a fiscal period of the partnership will be deemed to have satisfied those requirements if a particular member of the partnership, who has authority to act for the partnership, has satisfied those requirements in respect of the partnership for the fiscal period.

(2) Subsection (1) applies to information in respect of fiscal periods that end on or after ANNOUNCEMENT DATE.

AMENDMENTS TO THE INCOME TAX AND REGULATIONS FACILITATING THE PREPARATION OF INFORMATION SLIPS REPORTING INCOME FROM CERTAIN MUTUAL FUND TRUSTS AND PARTNERSHIPS

Explanatory Notes

Amendments To The Income Tax Act

ITA
221(1)

Subsection 221(1) of the Act provides that the Governor in Council may make regulations for certain purposes.

ITA
221(1)(*d.2*)

New paragraph 221(1)(*d.2*) is added to permit the Governor in Council to make regulations requiring the disclosure of information to the public for the purposes of making information returns respecting any class of information required in connection with assessments under the *Income Tax Act*. This amendment gives authority for proposed amendments to Part II of the Regulations.

New paragraph 221(1)(*d.2*) applies to information in respect of taxation years of taxpayers and fiscal periods of partnerships that end on or after ANNOUNCEMENT DATE. For further information, please see the commentary with respect to proposed new sections 204.1 and 229.1 of the *Income Tax Regulations*.

Amendments To The Regulations

New sections 204.1 and 229.1 of the Regulations provide for the disclosure to the public of certain information by public trusts and public partnerships. The purpose of these rules is to make information available with respect to distributions or allocations of income, losses and capital of a public trust or public partnership so that information returns such as the T3 information return in respect of trusts and T5013 information return in respect of partnerships can be prepared on a timely basis by those that require this information. The type of information that would be made available would be the information that is currently disclosed by public trusts and public partnerships on the Internet website of CDS Innovations Inc., a subsidiary of the Canada Depository for Canadian Securities Limited.

ITR
204.1

New section 204.1 of the Regulations provides for the disclosure, in prescribed form, to the public of information concerning public trusts that is required by the Minister of National Revenue.

These rules will apply to information in respect of taxation years that end on or after ANNOUNCEMENT DATE.

ITR
204.1(1)

New subsection 204.1(1) of the Regulations defines terms used in new section 204.1.

"public investment trust"

A "public investment trust" is, at any time, defined as a trust that is a public trust all or substantially all of the fair market value of the property of which is, at that time, attributable to the fair market value of property of the trust that is

- units of public trusts,
- partnership interests in public partnerships (as defined in new subsection 229.1(1)),
- shares of the capital stock of public corporations, or
- any combination of those properties.

"public trust"

A "public trust" is, at any time, defined a mutual fund trust the units of which are listed, at that time, on a prescribed stock exchange in Canada.

ITR
204.1(2)

New subsection 204.1(2) of the Regulations sets out that a public trust must make public, in prescribed form, information in respect of the trust for the taxation year by posting that information on the Internet website of CDS Innovations Inc. In addition the trust must notify the Minister as to when this posting requirement has been satisfied.

ITR
204.1(3)

New subsection 204.1(3) of the Regulations provides that the time on or before which a public trust is required meet the requirements of subsection 204.1(2) is

- in the case of a public trust that is not a public investment trust, the day that is 60 days after the end of the taxation year, or

- in the case of a public trust that is a public investment trust, the day that is 67 days after the end of the calendar year in which the taxation year ends.

ITR
229.1

New section 229.1 of the Regulations provides for the disclosure, in prescribed form, to the public of information concerning public partnerships that is required by the Minister of National Revenue.

These rules will apply to information in respect of fiscal periods that end on or after ANNOUNCEMENT DATE.

ITR
229.1(1)

New subsection 229.1(1) of the Regulations contains terms used in new section 229.1.

"public investment partnership"

A "public investment partnership" is, at any time, defined as a public partnership all or substantially all of the fair market value of the property of which is, at that time, attributable to the fair market value of property of the partnership that is

- units of public trusts (as defined in new subsection 204.1(1)),
- partnership interests in public partnerships,
- shares of the capital stock of public corporations, or
- any combination of those properties.

"public partnership"

A "public partnership" is, at any time, defined as a partnership, the partnership interests of which are listed on a prescribed stock exchange in Canada, that carries on a business in Canada or that is a Canadian partnership, at any time in a fiscal period of the partnership.

ITR
229.1(2)

New subsection 229.1(2) of the Regulations sets out that every member of a public partnership in a fiscal period of the partnership must make public, in prescribed form, information in respect of the partnership for its fiscal period by posting that information on the Internet website of CDS Innovations Inc. In addition, the Minister must be notified on behalf of the partnership as to when the posting requirement has been satisfied.

ITR
229.1(3)

New subsection 229.1(3) of the Regulations provides that the time on or before which a public partnership is required to meet the requirements of subsection 229.1(2) is

- in the case of a public partnership that is not a public investment partnership, the day that is 60 days after the end of the fiscal period, or

- in the case of a public partnership that is a public investment partnership, the day that is 67 days after the end of the calendar year in which the fiscal period ends.

ITR
229.1(4)

New subsection 229.1(4) of the Regulations sets out that every member of a partnership that is required to satisfy the requirements of subsection 229.1(2) in respect of the partnership for a fiscal period of the partnership will be deemed to have satisfied those requirements if a member of the partnership with authority to act for the partnership has satisfied those requirements in respect of the partnership for that fiscal period.